Louis Dreyfus spin-off Eiffel IG rolls out credit, equity and derivative fund suite

Eiffel Investment Group, which was founded at the end of 2008 as a division of Louis Dreyfus and spun out as an independent firm last summer, is now live with funds dedicated to three of its investment strategies.

The firm has rolled out a flagship focused on long/short opportunities in European credit, and is also managing funds devoted to long/short equity and derivatives trading. All three were launched in December.

Eiffel IG has offices in Paris, Amsterdam and Luxembourg. It began life at Louis Dreyfus under the sponsorship of then chairman and CEO Jacques Veyrat. The unit began by launching a commodities fund that remains at Louis Dreyfus and has grown to around $2 billion. In early 2009 the team also began investing in credit, with equities and derivatives added later.

Veyrat left Louis Dreyfus in mid-2011 and bought out Eiffel Investment Group. The standalone firm is now owned in its entirety by Veyrat and the Eiffel IG team.

The firm counts around 20 experienced investment professionals among its ranks. Alongside majority owner Veyrat, the firm is led by managing directors Fabrice Dumonteil and Jan Carel Kingma.

The flagship Eiffel Credit Opportunities Fund is managed by Emmanuel Weyd, who has led Eiffel's credit investments for the past three years and previously spent 13 years in senior credit roles at JP Morgan.

The new credit fund runs a bottom-up discretionary long/short strategy, investing in the credit securities of corporates and banks. The firm began trading the strategy as a proprietary portfolio in January 2010, producing a 20% return for that year. The strategy was then managed as a component of a multi-strategy portfolio during 2011, with a small loss of 0.8% on the year.

The standalone fund version has started out well, returning 3.0% in December, 3.5% in January, 8.1% in February and 1.8% in March.

The fund is relatively concentrated, at the moment consisting of between 15 and 25 positions in corporate and financial credit. The portfolio is built around roughly a dozen core positions, which are typically held for two to six months each. It also includes a combination of momentum-driven, shorter-term trades that might be held for a few days or weeks.

"We're agnostic on sector, ratings and the part of the capital structure," says Weyd. "In practice, we try to be relatively balanced and not too over-concentrated on a particular sector or geography, but in theory we could be 100% corporate or 100% financial." The fund does not invest in sovereigns.

The strategy is designed to exploit a much-discussed and unfolding opportunity, says Weyd. "The way credit is done in Europe is fundamentally changing," he explains. "There's been tremendous pressure put on banks to delever and shift risks out of their balance sheets. So what we need is a new lending framework to complement bank lending – and investment managers can capture mispricings in this shift."


Emmanuel Weyd

The fund is focused on Europe, in part because of the manager's expertise, and also because of the market opportunities and growing investor appetite. "For some US investors, Europe is potentially the land of opportunity where they see price dislocation," says Weyd, adding that the firm is also receiving interest from European investors.

Eiffel's other two fledgling funds are a long/short equity offering focused on the TMT and energy sectors, and a derivatives arbitrage strategy. As in credit, the firm sees a shift in the derivatives market, with increased capital requirements since the crisis making it more difficult for banks to warehouse risky assets for any length of time.

Each of the three funds was launched with about €15 million of firm capital, coupled with money from external investors. They manage around €100 million between them.

Eiffel also manages a fourth strategy, focusing on long-term investment in corporate credit assets, which has been running since early 2009 and has not so far been rolled out as a pooled fund. It is the largest strategy by assets, though, with around €200 million under management.

The flagship pooled fund, Eiffel Credit Opportunities, is running €35 million and has capacity to grow to more than €500 million. The firm is in active discussions with a potential seed partner, which might provide acceleration capital for the credit fund. The strategy is targeting annual returns in the low teens, net of fees.

